

# City of Los Angeles Department of Cannabis Regulation



*June 2020*

# Items Prepared for Council Consideration

DEPARTMENT OF  
CANNABIS REGULATION  
COMMISSION

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(http://cannabis.lacounty.gov)

June 10, 2020

The Honorable City Council  
City of Los Angeles  
City Hall, Room 365  
Los Angeles, California 90012

Attention: Rules, Elections and Intergovernmental Relations Committee

Dear Honorable Members:

**PROPOSED ORDINANCE AMENDMENTS TO SECTIONS 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 104.08 AND 104.12 OF THE LOS ANGELES MUNICIPAL CODE; DCR REPORT NO. 1 (1 OF 5)**

This report proposes amendments to Sections 104.01, 104.02, 104.03, 104.05, 104.07, 104.08 and 104.12 of Article 4, Chapter X of the Los Angeles Municipal Code (Cannabis Procedures Ordinance) to reorganize, clarify and include necessary procedures for the administration of the City's Commercial Cannabis Activity Licensing and Social Equity Program. These amendments also incorporate the recommendations from the Cannabis Regulation Commission and stakeholders. The proposed amendments are provided in the redefined ordinance in Attachment B with the formatted draft ordinance in Attachment C which is subject to review and edits by the City Attorney's Office.

This report is the first of five reports the Department has prepared for consideration by the Los Angeles City Council and is part of a comprehensive reorganization and revision of the Cannabis Procedures Ordinance. Together, these five reports contain the Department's immediate policy objectives. These objectives seek to do the following:

- Establish a process for the issuance of temporary approval for all applicants.
- Allow businesses to relocate.
- Clarify the process for applicants to request a finding of Public Convenience or Necessity.
- Adopt ordinances that would authorize the Los Angeles County Department of Public Health to provide cannabis inspection and enforcement services to the City and to administer a related Emblem Program.
- Allow individuals to participate in the Social Equity Program based on the original criteria or new criteria as supported by the Expanded Cannabis Social Equity Analysis.
- Expand the definition of Equity Share and create related requirements to provide additional protections to mitigate against potential predatory practices.

Draft Ordinance Amendments  
LAMC 104.06  
Redlines as of 06/08/2020

## SEC. 104.06. ISSUANCE OF LICENSE.

(a) **Storefront Retailer Commercial Cannabis Activity.** With respect to an application for a License for Storefront Retailer Commercial Cannabis Activity or for Microbusiness Commercial Cannabis Activity that includes Storefront Retailer Commercial Cannabis Activity, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within ~~60~~<sup>90</sup> calendar days of the date DCR denies the application, ~~may, upon request, make a recommendation to the Commission to issue the License.~~ ~~If DCR recommends issuance of a License, DCR, at its discretion, may issue the Applicant a Temporary Approval to engage in Storefront Retailer Commercial Cannabis Activity as its Business Premises. DCR shall revoke the Temporary Approval if the Commission denies issuance of a License. The date of this recommendation shall be the date when DCR transmits its report to the Commission for consideration to be scheduled at a future Commission meeting.~~

1. DCR may deny, with no hearing and based upon written findings and evidence in the record, the issuance of a License when the Applicant fails to meet any of the requirements of Article 5 of Chapter X of this Code, or for any of the following reasons:

- The Applicant's Business Premises is substantially different from the diagram of the Business Premises submitted by the Applicant, in that the size, layout, location of common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the Business Premises are not the same;
- The Applicant denied DCR employees or agents access to the Business Premises;
- The Applicant made a material misrepresentation or false statement on the application or knowingly fails to disclose a material fact in any documentation required by the Department;
- The Applicant failed timely to provide DCR with additional requested information, including documentation;
- The Applicant was denied a license, permit or other authorization to engage in Commercial Cannabis Activity by any state or other local licensing authority due to any illegal act or omission of the Applicant;
- Issuance of a License would create a significant public safety problem as documented by a law enforcement agency;
- The Applicant's Business Premises is located in a geographically-unique Community Plan Area which has reached 40% Under Concentration, unless the Applicant is not subject to a finding of Under-Concentration or the City Council has adopted written findings that approval of the License application would serve public convenience or necessity, supported by evidence in the

ORDINANCE NO. \_\_\_\_\_

An ordinance amending various sections of Article 4 of Chapter X of the Los Angeles Municipal Code to regulate commercial cannabis activities in the City of Los Angeles.

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ORDAIN AS FOLLOWS:

Section 1. Subdivisions 1 through 15 of Subsection (a) of Section 104.01, Article 4, Chapter X of the Los Angeles Municipal Code are renumbered as 2, 3, 5, 7, 8, 11, 12, 13, 14, 16, 17, 18, 21, 22, 28, and 29; Subdivisions 1, 3, 4, 6, 9, 10, 15, 19, 20, 23, 24, 25, 26, 27, 30, 31 and 32 are added; Subdivision 16 is deleted and Subdivisions 2, 7, 17, 18 and 22 are amended to read as follows:

- "Act" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).
- "Applicant" means a Person applying for a City License pursuant to this article.
- "Application" means all records submitted to the Department by an Applicant requesting Temporary Approval or a License to conduct Commercial Cannabis Activity.
- "Branded Merchandise" means clothing, hats, pencils, pens, keychains, mugs, water bottles, beverage glasses, notebooks, lanyards, cannabis accessories, or other types of merchandise approved by the DCR with the name or logo of a commercial cannabis business licensed pursuant to the Act. Branded Merchandise does not include items containing cannabis or any items that are considered food as defined by California Health and Safety Code section 109935.
- "BTRC" means a Business Tax Registration Certificate (BTRC) issued by the City's Office of Finance.
- "Business Day" is a day Monday through Friday from 9:00 a.m. to 4:00 p.m. Pacific Time, excluding City holidays, during which the DCR is closed for business.
- "Business Premises" means the designated structure or structures and land specified in an application for a License that is owned, leased, or otherwise held under the control of the Applicant or Licensee where the licensed Commercial Cannabis Activity will be or is conducted.
- "Cannabis" means cannabis as defined in Section 26001 of the California Business and Professions Code, included in the Medicinal and Adult-Use Cannabis Regulation and Safety Act, as currently defined or as may be amended.
- "Cannabis Accessories" has the same meaning as in California Health and Safety Code section 11018.2.
- "Canopy" means the designated area(s) at a Business Premises that will contain mature plants at any point in time.
- "City" means the City of Los Angeles.
- "City Council" means the Council of the City of Los Angeles.

# DCR Policy Objectives



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

- Establish a process for the issuance of Temporary Approval for all Applicants.
- Establish a process for businesses to relocate.
- Clarify the process for Applicants to request a finding of public convenience or necessity.
- Adopt ordinances that would authorize the Los Angeles County Department of Public Health to provide cannabis inspection and enforcement services to the City and to administer a related Emblem Program.

# DCR Policy Objectives - cont'd



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

- Establish a process to allow individuals to participate in the Social Equity Program based on the original criteria or new criteria as supported by the Expanded Cannabis Social Equity Analysis.
- Improve the selection process for Phase 3 Round 2 Social Equity Applicants eligible for retail application processing by creating a qualified lottery process rather than the current online, first-come, first serve process.
- Expand the definition of Equity Share and create related requirements to provide additional protections to mitigate against potential predatory practices.



# DCR Policy Objectives - cont'd



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

- Limit Type 9 and Type 10 application processing to Social Equity Individual Applicants until January 1, 2025, unless the Applicant received priority processing under LAMC Section 104.07.
- Reorganize, clarify and include necessary procedures for the administration of the City's commercial cannabis licensing and Social Equity Program.
- Address the recommendations put forth by the Cannabis Regulation Commission.
- Address the extensive feedback from the licensing and Social Equity Program stakeholders.

# Article IV: Cannabis Procedures



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

- 104.00 *Purpose.*
- 104.01 *Definitions.*
- 104.02 *License Required.*
- 104.03 *Application Procedure.*
- 104.04 *Pre-licensing Inspection and Community Meeting.*
- 104.05 *Notice.*
- 104.06 *Issuance of License.*
  - 104.06.1 *Retailer Commercial Cannabis Activity Application Processing.*
- 104.07 *Proposition M Priority Processing.*
- 104.08 *Non-retailer Commercial Cannabis Activity Prior to January 1, 2016, Processing.*
- 104.09 *Testing Lab Licenses.*
- 104.10 *License Appeal Procedure.*
- 104.11 *Mandatory Requirements.*
- 104.12 *Renewal and Cancellation.*
- 104.13 *Administrative Violations and Penalties.*
- 104.14 *Administrative Hearing Procedure.*
- 104.15 *Enforcement and Penalties for Unlawful Cannabis Related Activity.*
- 104.16 *Administration.*
- 104.17 *Severability.*
- 104.18 *No Vested or Nonconforming Rights.*
- 104.19 *Fees and Fines.*
- 104.20 *Social Equity Program.*
- 104.21 *Management Companies.*
- 104.22 *Cannabis Corporate Responsibility Report.*
- 104.23 *Storefront Retailer Emblem Program.*

# DCR Reports & Recommendations



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

## **DCR Report No. 1:**

Recommends amendments to LAMC Sections 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 104.08 and 104.12. These amendments include proposed language to clarify the public convenience or necessity (PCN) process and to allow Business Premises relocations.

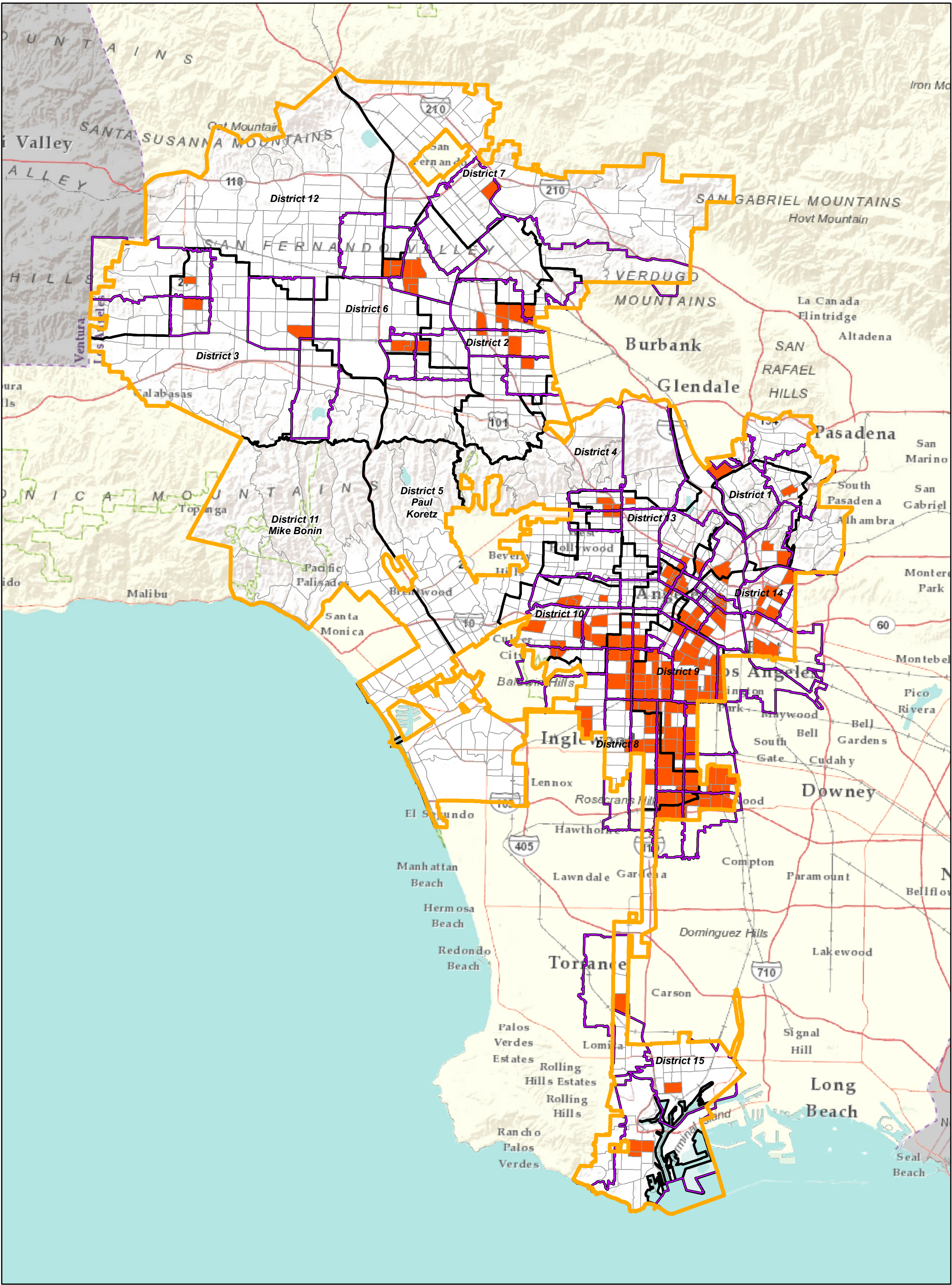
## **DCR Report No. 2:**

Recommends amendments to LAMC Sections 104.06, 104.06.1, 104.20, 104.21 and 104.22. These amendments include proposed language to allow the issuance of Temporary Approval, revises the definitions of Equity Share, Low Income and Disproportionately Impacted Area, and revises the qualifying criteria for a Social Equity Individual Applicant.

## **DCR Report No. 3:**

Transmits the [Expanded Cannabis Social Equity Analysis](#) as directed by the City Council (Council File No. 14-0366-S5).





Path: Q:\3551\_Planning\CityofLA\_Cannabis\MXD\ReportFigures\FigF\_AboveMean\_GT60pctLowIncome\_PRD\_Zipcode.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS



1 inch = 3.5 miles

0 3.5 Miles

Legend

- LAPD Reporting Area
- Council District
- LAPD Reporting District
- Above Mean Arrest Count, 60% Low Income
- Zip Codes Containing PRDs

FIGURE E

Police Reporting Districts and Zip Codes with Above Average Arrest Counts and Greater Than 60% Low Income  
Cannabis Social Equity Analysis  
City of Los Angeles, CA





# DCR Reports - con't



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

## **DCR Report No. 4:**

In conjunction with DCR Report No. 1, this report outlines the step-by-step process to request a PCN determination from City Council and recommends approval standards for City Council consideration and adoption by resolution.

## **DCR Report No. 5:**

Recommends amendments LAMC Section 104.23 and LAMC Section 31.00. These amendments include proposed language to authorize the Los Angeles County Department of Public Health to issue public health permits, conduct inspections of Business Premises engaged in authorized Commercial Cannabis Activities, and administer the related Emblem Program.

## **DCR Report No. 6:**

Includes a fee study to fully recover the Department's costs involved in the administration of the City's commercial cannabis licensing program.

# Establish a process to issue TEMPORARY APPROVAL



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

## DCR may issue a Temporary Approval after:

*New Subsection 104.06(d)*

1. The application is determined to be eligible for further processing, and payment of the Pre-Application Review Fee.
  - The Business Premises location complies with zoning requirements and sensitive use restrictions; and
  - Primary Personnel passes a background check.
2. The applicant pays the Temporary Approval Application Fee.
3. Applicant submits Temporary Approval Documents (State Licenses, Attestations, Indemnification Agreement). Social Equity Individual Applicants must also submit Equity Share documents (under the expanded definition).
4. Business Premises pass the Initial Inspection (DCR) and a fire/life safety inspection (LAFD).

# Establish a process to allow Business Premises Relocation



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

## Relocation Limitations and Requirements:

*New Subsection 104.03(e)*

- A. **Delivery, Distribution and Non-Volatile Manufacturing:** May relocate to any Community Plan Area (CPA).
- B. **Retail, Cultivation and Volatile Manufacturing:**
- If the Business Premises location is in a CPA that has not reached Undue Concentration, the Applicant or Licensee may relocate within the same CPA.
  - If the Business Premises location is in a CPA that has reached Undue Concentration, the Applicant or Licensee may only relocate within the same CPA provided the application was submitted when the CPA had not reached Undue Concentration.
  - If the application was submitted with a PCN finding from City Council:
    - Businesses with a License - may relocate within the same CPA without a new PCN.
    - Business without a License - may relocate within the same CPA only if City Council has made a PCN finding at the new location.



# Establish PCN Standards



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

1. The existing commercial cannabis businesses in the requestor's CPA are concentrated in one area, such that the requestor's business, located in another area, would serve the public convenience or necessity; or
2. The proposed business premises would serve an area of increased density or consumer traffic, including, but not limited to, an entertainment or commercial corridor, such that the proposed location would serve the public convenience or necessity by satisfying a higher demand for retail locations; or
3. The proposed business premises would be located in an area with a high number of unlicensed commercial cannabis retail establishments, such that an additional licensed location would serve the public convenience or necessity by satisfying a higher demand for retail locations and reduce patronage of unlicensed establishments; or
4. The requestor's business would include clear specified public safety related features, such that the operation of the requestor's business would serve the public convenience or necessity by likely reducing crime or nuisance activity in the surrounding area.

# Language Revisions PCN Ordinance



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

## *Sec. 104.03(a)(4)*

If the Applicant's Business Premises is located in a Community Plan Area of Undue Concentration, then DCR shall not ~~process the application~~ make an eligibility determination pursuant to Section 104.03(a) and the Applicant shall file a request on a form provided, and transmitted by DCR to with the City Clerk, on a form provided by DCR, a request that the City Council find that approval of the License application would serve the public convenience or necessity, supported by evidence in the record. DCR shall promulgate standards subject to City Council approval by resolution, which may be amended from time to time. Notice of the Applicant's request shall be provided in the same manner as a Notice of Complete Application under Section 104.05(a). DCR shall provide Written Notice of the Applicant's request pursuant to Section 104.05(b). If the City Council does not act on the Applicant's request within 90 calendar days of the City Clerk's date of receipt, then the City Council shall be deemed to have not made the necessary findings to support the public convenience and necessity, the request shall be denied by operation of law, and the License application shall not be processed by DCR.

# Clarify the PCN Process



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

1. The Applicant completes the PCN Application Form and includes justification to support that his/her application request serves the public convenience or necessity.
2. DCR invoices the Applicant. The Applicant must pay the PCN Application Fee within 10 days.
3. After payment is received, DCR reviews the PCN Application Form.
4. DCR transmits the PCN Form to the City Clerk. PCN requests will be filed under Council File (CF XX-0420-SXX).
5. DCR will provide Written Notice (website notice, City Council, Neighborhood Council) within 10 days of the City Clerk receiving the PCN Form. The notice will contain the Council File No. (link) with instructions on how to subscribe for notification.
6. The City Clerk will provide notice (agenda) of the Committee/City Council meeting.
7. If the City Council does not act within 90 calendar days, the request will be deemed denied.



# Social Equity Program



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

- Reorganizes [LAMC Sec. 104.20](#).
- Clarifies and expands Program requirements and benefits.
- Limits Type 9 and Type 10 application processing to Social Equity Individual Applicants until January 1, 2025, unless the Applicant received priority processing under LAMC Section 104.07.
- Expands the definition of Equity Share and creates related requirements to provide additional protections to mitigate against potential predatory practices.

# Social Equity Program



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

- Allow individuals to participate in the Social Equity Program based on the original criteria or new criteria as supported by the [Expanded Cannabis Social Equity Analysis](#).
- Revise the definition of Social Equity Individual Applicant for those seeking to participate in the Program based on the Expanded Analysis to any individual who meets any two of the following three criteria: 1) Low Income 2) a prior California Cannabis Arrest or Conviction 3) ten year's cumulative residency in a Disproportionately Impacted Area.
- Revise the definition of "Low Income" to be based on the annual U.S. Department of Housing and Urban Development (HUD) income limits which considers household size and assets. Furthermore, the amendments add definitions for "Household Size" and "Asset."
- Revise the definition of Disproportionately Impacted Area in accordance with the Expanded Analysis which recommends using 151 Police Reporting Districts instead of Zip Codes as the geographic unit for inclusion in the Program.

# Health Permit & Emblem Program



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

1. Amend Article 1, Chapter 3 of the LAMC to add Subsection (G) adopting amendments with proposed language to authorize the Los Angeles County Department of Public Health to issue public health permits, conduct inspections of Business Premises engaged in authorized Commercial Cannabis Activities, and administer the related Emblem Program.
2. Amend LAMC Section 104.23 in its entirety to add the Emblem Program.
3. Execute the Agreement between the County of Los Angeles Department of Public Health and the City.

The emblem for an Authorized Cannabis Store. It features a large blue and white stylized 'V' on the left. On the right, there is a green square with a white cannabis leaf, and below it, an orange square with the text 'Authorized Cannabis Store' in white. Below the emblem, there is a white box containing the text 'The Best Stuff' and '12345 Main St., Los Angeles, CA 90042' on the left, and 'PR: 2039383' on the right. Below this box, there is a black box with white text that reads 'For information regarding the latest inspection results or for cannabis health advisories'. Below this, there is a line of text that says 'Visit our website: [publichealth.lacounty.gov/eh](https://publichealth.lacounty.gov/eh)'. Below this, there is a line of text that says 'Call: 626-430-5635'. To the right of this, there is a QR code with the text 'Scan the code:' next to it. At the bottom, there are three logos: the County of Los Angeles seal, the County of Los Angeles Public Health logo, and a blue box with white text that reads 'Cannabis Compliance and Enforcement Program'.



# Items Prepared for Council Consideration

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June 10, 2020

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- The Applicant failed timely to provide DCR with additional requested information, including documentation;
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ORDINANCE NO. \_\_\_\_\_

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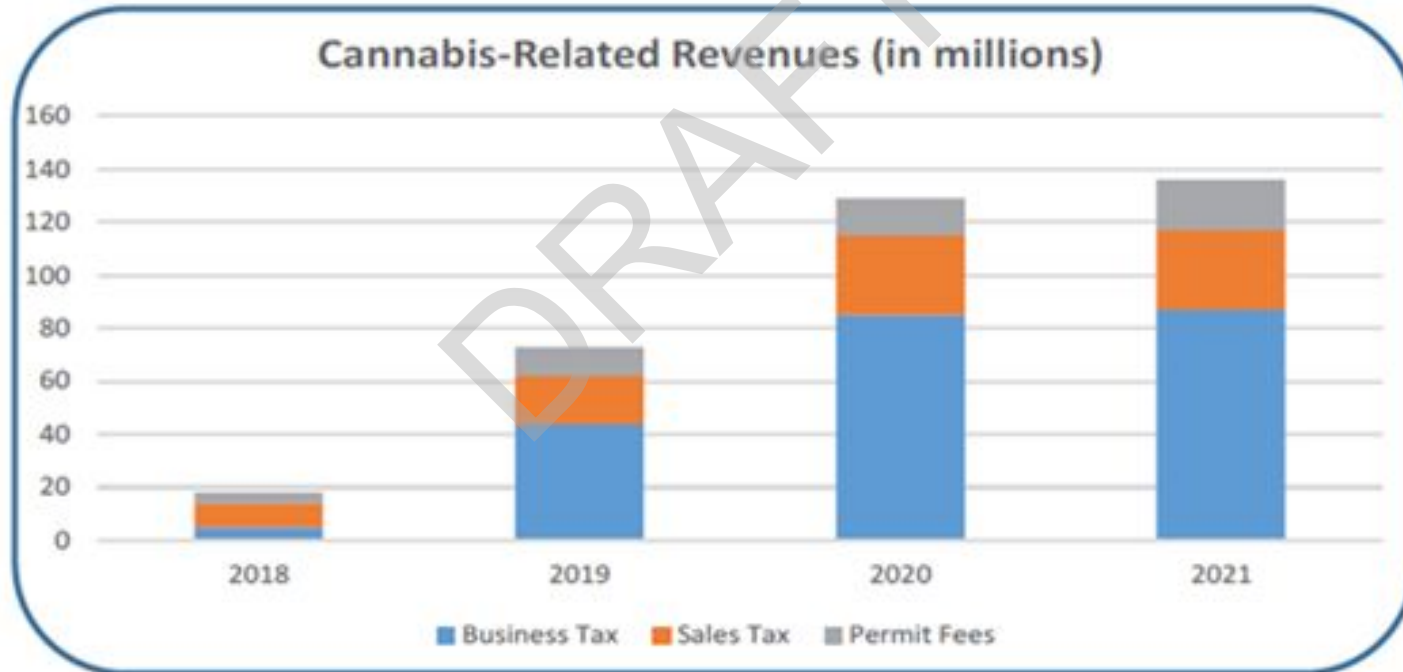
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# Anticipated FY 2020-21 Cannabis Related Revenue



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION



# Budget Requests for the Budget and Finance Committee



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

Inclusive of deferred FY 2019-20 receivables, the licensed commercial cannabis industry is projected to remit \$147 million to the City next fiscal year (\$99 million in business taxes, \$30 million in related sales taxes, and \$18 million in license fees and fines). The Department is 100% special funded and furloughs will create processing delays that will negatively impact business tax and sales tax revenue collection.

With this in mind, the Department requests the Budget and Finance Committee's support to:

- 1) Exempt positions funded by the Cannabis Regulation Trust Fund (Fund No. 60E) from the proposed furloughs (\$0 - the Department will adjust hiring plan to absorb the reduction);
- 2) Convert six existing positions to four Management Analyst and two Senior Administrative Clerk positions (\$0 - the Department will absorb the incremental cost of \$13,200); and,
- 3) Add unfunded position authority for two Special Investigator II positions (\$0 - positions will be funded through existing salary savings).





CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS**  
REGULATION

# Phase 3 Retail Round 1 Audit

# Audit Findings



CITY OF LOS ANGELES DEPARTMENT OF  
**CANNABIS  
REGULATION**

Following a thorough review of the Phase 3 Retail Round 1 application process, ***the Auditor found that the DCR conducted the process in good faith and found no evidence of bias or unfairness.*** While the Audit found that there may have been confusion arising from imprecise messaging and that 14 applicants gained early access to the licensing application, the Auditor concluded that the ***DCR's normalization process effectively negated any benefits that those applicants received by their early access.***

Based on the Auditor's findings, the CAO recommended that the Department be “*directed to complete the processing of Phase 3 Retail Round 1 processing and commence the necessary work required to conduct the Phase 3 Retail Round 2 process later this fiscal year.*” The CAO further recommends that, “*In conducting the next licensing process, DCR should take into account the Auditor's recommendations relative to improving the process for future rounds of licensing applications.*”